

SERVICE SCHEDULE B-1

The Nevada Affordable Housing Assistance Corporation

PRINCIPAL REDUCTION PROGRAM

Summary Guidelines

1. Program Overview	<p>The Principal Reduction Program (“PRP”) will provide assistance to reduce the principal balance of primary (first priority) mortgages for borrowers with an eligible financial hardship and negative equity by: (a) principal reduction and a permanent modification or reamortization (recast) to achieve a lower monthly payment (“Modification or Reamortization”); (b) reduction or elimination of an amount up to the existing non-interest-bearing forbearance that was the outcome of a prior loan modification (“Forbearance Elimination”); or (c) principal reduction of a “non-delinquent” borrowers primary mortgage in a significant negative equity position to an amount as close to 100% loan-to-value (“LTV”) ratio as the amount of per-household assistance will permit to reduce the risk of potential default by such borrowers (“Negative Equity Reduction”).</p> <p>The assistance will be provided as a one-time payment to lenders/servicers up to a maximum of \$50,000 per household.</p> <p>A borrower’s primary mortgage lender may agree to make a matching reduction to the principal balance of the primary mortgage.</p>
2. Program Goals	<p>The goal of the PRP is to help homeowners avoid foreclosure by reducing the principal balance of their primary mortgage to either (a) facilitate a permanent loan modification or reamortization that achieves an affordable monthly mortgage payment of their primary mortgage or (b) reduce a borrower’s negative equity position on their primary mortgage to an amount as close to 100% LTV ratio as the amount of per-household assistance will permit.</p>
3. Target Population / Areas	<p>All qualified Nevada residents with negative equity who could achieve an affordable primary mortgage payment and appropriate level of debt with a principal reduction.</p>
4. Program Allocation (Excluding Administrative Expenses)	<p>\$97,146,322</p>
5. Borrower Eligibility	<p><u>General Eligibility:</u></p>

<p>Criteria</p>	<ul style="list-style-type: none"> • Legal U.S. resident or lawful permanent U.S. resident and Nevada resident. • Borrower must have an eligible financial hardship as determined by program criteria and underwriting guidelines. • Household income does not exceed 150% of Area Median Income in the county in which the borrower resides. • Borrower’s post-assistance housing expenses must meet the definition of an “Affordable Payment.” For the purposes of PRP, “Affordable Payment” means the borrower’s post-assistance, total monthly primary mortgage payment PITI (principal, interest, taxes and insurance, as applicable) including any escrowed homeowner’s association dues or assessments, plus any taxes, insurance and homeowners association dues and assessments which are not escrowed must be no greater than 33% of the gross household income excluding temporary income (e.g., unemployment or short-term disability benefits). • Borrower agrees to provide all necessary documentation to satisfy program guidelines within the timeframes established by NAHAC, including a financial hardship affidavit. <p><u>Additional Eligibility Criteria Applicable to Each Structure of Principal Reduction:</u></p> <p>(a) Modification or Reamortization Structure(i.e. principal reduction of a borrower’s primary mortgage accomplished exclusively through either an interest rate reduction and/or term extension to achieve a permanent modification, or a reamortization of the remaining unpaid principal balance to achieve a lower monthly payment):</p> <ul style="list-style-type: none"> • <i>Eligible financial hardship</i>: reduced income due to underemployment, medical condition, divorce or death, as set forth in the program guidelines. • Borrower’s pre-assistance, total monthly primary mortgage payment PITI including any escrowed or non-escrowed homeowner’s association dues or assessments, is greater than 38% of the gross household income excluding temporary income (e.g., unemployment or short-term disability benefits). • Primary mortgage must be delinquent or the borrower does not have liquid assets greater than three (3) months of PITI and homeowner’s dues and assessments (if applicable). • Pre-assistance principal balance of primary mortgage must exceed 110% LTV based upon valuation obtained
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	<p>by NAHAC or the servicer.</p> <p>(b) Forbearance Elimination (i.e. reduction or elimination of an amount up to the existing non-interest-bearing forbearance that was the outcome of a prior loan modification as the amount of per-household assistance will permit):</p> <ul style="list-style-type: none"> • <i>Eligible financial hardship</i>: borrower has a non-interest bearing forbearance that is the outcome of a prior primary mortgage modification, such as any forbearance structured through the Home Affordable Modification Program (“HAMP”) or other substantially similar loan modification. • Borrower must be current with the primary mortgage modification. • Pre-assistance principal balance of primary mortgage, including the forbearance amount, greater than 110% LTV based upon valuation obtained by NAHAC or the servicer. • Pre-assistance primary mortgage payment meets NAHAC’s definition of an Affordable Payment. <p>(c) Negative Equity Reduction (i.e. principal reduction of a “non-delinquent” borrower’s primary mortgage that is in a severe negative equity position to an amount as close to 100% LTV ratio as the amount of per-household assistance will permit to reduce the risk of potential default by such borrower):</p> <ul style="list-style-type: none"> • <i>Eligible financial hardship</i>: (1) a negative equity position in which the primary mortgage LTV is 120% or more or (2) a negative equity position in which 10% or more of unpaid principal balance (“UPB”) of the primary mortgage constitutes negative equity so long as such negative equity amount is at least \$20,000. • Borrower must be current on the primary mortgage at the time of PRP application. • Pre-assistance primary mortgage payment meets NAHAC’s definition of an Affordable Payment.
6. Property / Loan Eligibility Criteria	<ul style="list-style-type: none"> • The applicant must own and occupy the single family, 1-4 unit home (an attached or detached house or a condominium unit) located in Nevada and it must be their primary residence. Mobile homes are eligible if they are permanently affixed to the real property that is secured by the primary mortgage. • For a Modification or Reamortization, the servicer must utilize the PRP monies to bring the primary mortgage current before applying PRP monies to the homeowner’s principal balance. • Properties with second mortgages are only eligible if the

	<p>borrower qualifies for and receives assistance under the Second Mortgage Reduction Plan.</p> <ul style="list-style-type: none"> • Mortgage balance cannot exceed the current GSE loan limit.
7. Program Exclusions	<ul style="list-style-type: none"> • Borrowers with liquid assets, other than exempt retirement assets, in excess of the total amount of assistance provided. • Borrowers with an active bankruptcy. • Borrowers in an active Home Affordable Modification Program (HAMP) trial period plan. • Borrowers with a bankruptcy discharge who did not reaffirm their current mortgages in the bankruptcy. • Borrowers who fail to satisfy underwriting guidelines of the lender/servicer or NAHAC. • Borrowers with a post-assistance LTV ratio greater than 140% or less than 100% based upon valuation obtained by NAHAC or the servicer. • Borrowers with a post-assistance total monthly first-lien mortgage payment PITI including any escrowed or non-escrowed homeowner's association dues or assessments less than 25% of the homeowner's gross monthly household income, excluding temporary income (e.g., unemployment and short-term disability benefits), or greater than NAHAC's definition of an Affordable Payment. • Property is subject to a first priority lien securing a Home Equity Line of Credit. • Property is subject to a current foreclosure proceeding (judicial or non-judicial) under any lien encumbering the property, including the lien of a Homeowners Association. • Property is abandoned, vacant or condemned. • Property has more than two mortgages. • Property is listed for sale.
8. Structure of Assistance	<p>The assistance will be administered as a one-time direct payment to the servicer. The assistance will be structured as a 0% interest forgivable loan with no monthly payment evidenced by a promissory note with a sixty (60) month term. The loan will be secured by a junior lien on the property. If the borrower complies with the terms of the loan, the loan will be considered satisfied at the end of the sixty (60) month period following funding and the lien released.</p> <p>Borrowers will not always receive the maximum assistance amount of \$50,000.</p> <p>If the borrower defaults under the terms of the loan prior to the maturity date of the note evidencing the assistance loan, the loan</p>

	<p>will be due and payable to NAHAC. If the borrower sells the property or obtains a refinancing where the borrower is eligible to receive cash out of the transaction before the maturity date of the note, all net equity proceeds after payment of borrower's closing costs (with the commission to real estate brokers, if applicable, by the borrower limited to 5 percent) and the payment to the primary mortgage lienholder will be due and payable to NAHAC to satisfy payment of all or a portion of the loan funds.</p> <p>All funds returned to NAHAC may be used to assist additional homeowners until December 31, 2017; thereafter they must be returned to Treasury.</p>
9. Per Household Assistance	The maximum amount of mortgage principal reduction receivable by a qualified borrower is \$50,000.
10. Duration of Assistance	Program funds will be distributed as a one-time payment to the servicer.
11. Estimated Number of Participating Households	Approximately 2,550 households could be assisted under this program assuming an average assistance amount of \$38,000.
12. Program Inception / Duration	This program began on March 1, 2010 and will continue until all funds are committed or December 31, 2017, whichever occurs first.
13. Program Interactions with Other HFA Programs	<p>It is possible that a homeowner may also receive assistance through the Second Mortgage Reduction Plan and/or other HHF Programs.</p> <p>Borrowers may receive assistance from more than one HHF Program as long as the total combined assistance does not exceed \$100,000.</p>
14. Program Interactions with HAMP	PRP may work in conjunction with aspects of the Making Home Affordable Program to help eligible borrowers achieve desired housing debt-to-income ratios, permanent affordability and establish an appropriate level of mortgage debt. Additionally, a Forbearance Elimination PRA may be used to reduce or eliminate an existing non-interest bearing forbearance balance from a prior HAMP Modification.
15. Program Leverage with Other Financial Resources	While NAHAC does not require a contribution from the servicer, it will be encouraged and in addition, servicers will be requested to waive fees.